



Contact: Betsy Holahan (202)224-6011
Emma Post (202)224-2574

This exuberant expenditure of credit or promotion of credit was compounded by the fact that an inverted pyramid was created. That item of credit, that loan which was made on collateral which didn't support it and which was made to an individual who probably didn't have the ability to repay it under the terms that it was made on, that item was then

sold and it was sold again, and then it was turned into some sort of synthetic instrument which was multiplied and created more sales of the item. And so you have basically an inverted pyramid where that initial loan, which had problems in and of itself on the repayment side and on the collateral side, was compounded by a reselling of the loan over and over again in a variety of different markets and through a number of different instruments, which essentially exaggerated the complications of that should it not be repaid.

It is unfortunate. It causes great personal harm and trauma and it obviously disrupts the economy and people -- and it affects people's lives. People are damaged by this. Its root, basically, goes to the fact that there were people lending money to people who shouldn't have been lent money without the collateral they had to support.

How do we react to that and keep that from snowballing into a massive slow down in the economy or a possible, potential recession? Well, the discussion is to stimulate the economy through some sort of fiscal policy, the federal government taking action. That is known as fiscal policy. There is also, of course, the monetary side.

Today the Federal Reserve cut the rates, and as a result the market reacted, although it was hugely down when it started—I haven't looked at it recently—and it reacted in a positive way. On the fiscal side there is a lot of discussion about stimulating the economy. I guess my red flag of reason I am putting out here, if we're going to stimulate the economy through fiscal policy, let's do it correctly, not in a way that dams the economy for the future or basically gets you a short-term political headline but doesn't get you the impact you need which is to help people through a difficult economic period.

The proposals which are out there, most of which I've seen, have fallen into two categories. One is stimulate the economy by giving people money to spend. The other is to stimulate the economy through energizing small business and large business to invest in economic activity. The problem we have of a stimulation event giving people \$200, \$300, \$500 -- whether it is direct or indirectly, the money will be spent, but does it stimulate our economy? So much of our product today that we consume in America today is produced outside the United States. Maybe it stimulates the Chinese economy? I'm not so sure it stimulates our economy. Maybe raising the Chinese economy raises the international economy and that helps us out, but as practical matter, I'm not sure.

And most importantly when you take that sort of action, you borrow that money. This money does not appear from nowhere that you will put out into the marketplace and say, 'Here, American citizen, we're going to return you X dollars through a direct payment,' is probably an inverted tax payment where people of low incomes do not pay taxes, they get a payment, and middle-income get a marginal payment. That money has to be borrowed. That money is borrowed from our children.

The effect of borrowing that money, if it is \$150 billion, it compounds because there is interest. And it grows into a lot more money. And then our children and our children's children have to pay it back. So, do you get the value? Is there a value there large enough

to justify putting this debt on our children's back? For this type of event? I think we have to look at that seriously.

There are proposals out there that we should essentially waive the Social Security payment, for example. We should say, 'We're not going to require people to make their Social Security withholding payment for one month, or two months, or whatever the number would be that we would settle on.' That as a policy matter has very serious implications for our children and our children's children.

Essentially the Social Security system is supposed to be an insurance system where you, as a working American, pay into the system money which is returned to you through Social Security payments when you retire. Historically, it has been viewed as an insurance policy approach with the federal government managing the insurance.

And, yes, nobody is going to argue the fact that the Social Security system in the outyears does not have the resources to repay the liabilities that are on the books. That's the big issue for us, and it is a function of the retirements of the baby-boom generation. But you only radically, radically quite honestly aggravate that problem by borrowing from the Social Security Administration to singly fund a short-term fix of a stimulus package. First, you have created a brand new event which has never happened in my knowledge of taking Social Security dollars and moved them over for the purposes of an expenditure which is a day-to-day operation of government expenditure. You are basically formally saying that the Social Security dollars which are paid in taxes can be used for something other than the purposes of creating obligations which will be paid back in the form of retirement payments. You are saying that Social Security dollars will go directly without any obligation being shown on the Social Security balance sheet, will be taken off the Social Security balance sheet and put into the day-to-day operation of government for the purpose of paying people a stimulus event of \$500 or \$600.

The implications of that are huge from a public policy standpoint. You are totally readjusting our approach as a nation toward Social Security. You are basically saying Social Security is a dollar in, dollar out purpose, with absolutely no fund, and that there is no liability offsetting balance set-up for Social Security payments, which is used later it pay down the Social Security responsibility. That is a tall precedent. It may be theoretical debate, but it is a big precedent to create that sort of new paradigm.

You get a momentary stimulus that may or may not help our economy because as we all know, consumer events will occur with the purchase of products produced outside the country to a large degree. And you don't get any long-term action which is essentially going to improve the financial viability of the Social Security system. In fact, you significantly aggravate it because, again, you compound that event, and compounding interest has an amazing effect in the area of the total cost for the one-time events. Just ask the "notch" babies about that.

So, this is a policy choice which I think would be truly destructive to the historical role of Social Security in our government, and would be probably equally nonproductive as a stimulus to our economy, and probably do more damage than good.

Then there is the proposal that we extend unemployment insurance for another two weeks, three weeks, four weeks. Well, that has some arguably positive benefits if you are into a recession. But we're not in a recession. We have, essentially, what has historically been deemed full, if you will employment, about 5% unemployment. So when you extend unemployment, and you have full employment you create an atmosphere where people on unemployment have no incentive to find a job, even though there may be a job available, because you are at full employment economy. So are you being constructive to the system or are you reducing the productivity of a system when you make that choice?

That is a very debatable issue that needs to be looked at with some significance before you take this action. I understand politically it is a great press release. We will extend unemployment for two weeks for people out of work. That is a great press release, but if you are at full employment, which we appear to be right now, extending unemployment at this time could be counterproductive, significantly counterproductive it keeping the economy going because it will not allow people to go out and find jobs for whom jobs may be available.

So, we have that issue which is fairly significant. The real goal here of a stimulus package should be to create an atmosphere where we actually improve the underlying pillars of the economy. And that means we improve productivity, we improve the incentive of people to be productive and go out and create jobs and that can be done through initiatives which are productive, which are on the productive side of the ledger rather than just on the spending side of the ledger.

I know historically people have said, 'Just inject money into the economy, and that will make it move.' That was before we got to an international economy where we are essentially injecting money into the economy, but it can basically move the Chinese economy rather than our economy. What makes sense if we inject through a federal initiative we should do it in a way where we create economic benefit to our economy by making it more productive and thus creating more jobs and creating more incentive for entrepreneurs, and there are a lot of ways to do that.

As we proceed down this road to discuss this issue of stimulus, I'll continue to discuss that point and get specific on ways that we could do that. So, I just want to raise this red flag of reason before we step on to this slippery slope of a stimulus package which could end up being primarily a spending package for the purposes of addressing whatever anybody happens to deem to be a good political spending issue, that before we step on that slope we take a hard look at what we're going to end up with in the way of producing benefit to the people of the day versus producing debt that our children will have to repay and maybe undermining our economy generally for the long term.

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